



## Senate

General Assembly

**File No. 169**

February Session, 2004

Substitute Senate Bill No. 377

*Senate, March 22, 2004*

The Committee on Energy and Technology reported through SEN. PETERS of the 20th Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

### **AN ACT CONCERNING A CONSTRUCTION WORK CHARGE FOR SMALL WATER COMPANIES.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1       Section 1. (NEW) (*Effective from passage*) (a) For purposes of this  
2       section, "class B water company" means a water company, as defined  
3       in section 16-1 of the general statutes, as amended, with revenues of  
4       not less than one hundred thousand dollars and not more than four  
5       hundred ninety-nine thousand nine hundred ninety-nine dollars and  
6       "class C water company" means a water company, as defined in section  
7       16-1 of the general statutes, as amended, with revenues of not more  
8       than ninety-nine thousand nine hundred ninety-nine dollars.

9       (b) Notwithstanding the provisions of chapter 277 of the general  
10       statutes, a class B or class C water company may file an application  
11       with the Department of Public Utility Control for a surcharge for  
12       construction work by such company for projects eligible pursuant to  
13       subsection (c) of this section. Prior to the commencement of such

14 construction, the department shall conduct a contested case  
 15 proceeding to approve any such project and to establish such  
 16 surcharge through which the subject water company may recover from  
 17 its customers, on a quarterly basis, a return associated with such  
 18 project.

19 (c) Projects that may be eligible for the construction work surcharge  
 20 are those class B or class C water company plant projects that (1) are  
 21 necessary to improve or protect the quality and reliability of service to  
 22 customers, and (2) renew or replace existing facilities or are new  
 23 facilities, including, but not limited to, the elimination of dead ends  
 24 that have resulted from the relocation of existing facilities pursuant to  
 25 government action for which the company will not otherwise be  
 26 reimbursed.

27 (d) Within any twelve-month period, the total surcharge for  
 28 construction work collected by a company shall not be more than ten  
 29 per cent of the applicable monetary rate classification of a class C water  
 30 company and not more than seven and one-half per cent of the  
 31 applicable monetary rate classification of a class B water company.

32 (e) The department shall adopt regulations, in accordance with the  
 33 provisions of chapter 54 of the general statutes, to implement the  
 34 provisions of this section including, but not limited to, filing, public  
 35 notice and customer billing requirements.

This act shall take effect as follows:	
Section 1	<i>from passage</i>

**Statement of Legislative Commissioners:**

Revisions were made to subsections (b), (c) and (d) of section 1 for purposes of clarity.

**ET**            *Joint Favorable Subst.*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

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### ***OFA Fiscal Note***

#### ***State Impact:***

<b>Agency Affected</b>	<b>Fund-Effect</b>	<b>FY 05 \$</b>	<b>FY 06 \$</b>
Various State Agencies	Various - Cost	Potential Minimal	Potential Minimal

#### ***Municipal Impact:***

<b>Municipalities</b>	<b>Effect</b>	<b>FY 05 \$</b>	<b>FY 06 \$</b>
Various Municipalities	Cost	Potential Minimal	Potential Minimal

### ***Explanation***

Assuming a small or medium size water company is approved for a rate surcharge on a certain construction project, the customer will be subject to pay the rate surcharge. As ratepayers, the state and municipal governments could possibly be subject to pay the rate surcharge, which allows certain water companies to earn a rate of return. Therefore, the bill results in a potential minimal cost.

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**OLR Bill Analysis**

sSB 377

**AN ACT CONCERNING A CONSTRUCTION WORK CHARGE FOR SMALL WATER COMPANIES****SUMMARY:**

This bill allows small and medium-size water companies to apply to the Department of Public Utility Control for approval of a rate surcharge to earn a rate of return on certain construction projects. The bill applies to class B companies (those with annual revenue of \$100,000 to \$499,999) and class C companies (those with revenue under \$100,000). It applies to projects (1) that are needed to improve or protect the quality and reliability of service to the companies' customers and (2) that renew or replace existing facilities or new facilities, e.g., the elimination of dead ends that have resulted from government actions for which the company will not be reimbursed.

Under the bill, before the company can begin such projects, the department must hold a contested case to approve the project and establish the surcharge. (A contested case is a quasi-judicial proceeding in which the Office of Consumer Counsel can participate as a party.) The surcharge allows the company a return on the project from its customers on a quarterly basis. Within any 12-month period, the total surcharge cannot exceed 10% of the "monetary rate classification" of a class C company (apparently \$10,000) and 7.5% of this classification (apparently \$37,500) for class B companies.

The department must adopt implementing regulations, including provisions on filing, public notice, and customer billing requirements.

EFFECTIVE DATE: Upon passage

**COMMITTEE ACTION**

Energy and Technology Committee

Joint Favorable Substitute

Yea 17      Nay 0

